



HUMAN RIGHTS & RESPONSIBLE BUSINESS PRACTICES

FREQUENTLY ASKED QUESTIONS

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Introduction

The need for companies to understand and address human rights as a responsible business practice is an ongoing process. For adidas this is reflected in the following key drivers.

The first is the *OECD Guidelines for Multinational Enterprises*¹ which were revised and re-issued in May 2011. The updated OECD Guidelines now include a chapter on Human Rights. adidas has been a long time adherent to these voluntary guidelines, which sets out good practice for multinational companies in relation to a range of topics, including consumer interests, corruption, environment, employment and industrial relations. The OECD Guidelines have the backing of 44 countries globally, including Germany where adidas is headquartered. The second driver is the work of the UN Special Representative on Business and Human Rights, Professor John Ruggie.² After 6 years of consultations with the industry, governments and civil society, Professor Ruggie submitted his final report to the United Nations Human Rights Council on May 31, 2011.³ The report was unanimously endorsed by the Council. The UN Special Representative's report contains an important set of Guiding Principles, which outline how States and businesses should implement the UN Business and Human Rights Framework of "Protect, Respect and Remedy".⁴ For business, the fundamental expectation of the Responsibility to Respect is captured in Guiding Principle 11: "Business enterprises should respect human rights. This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved." adidas supports the UN Guiding Principles (UNGPs) and has incorporated these principles into its general practice in managing the human rights impacts of its business. In particular, we have embedded human rights into our general risk management approach, which is explained in the Frequently Asked Questions (FAQ) below. Finally, at a trade level, we see that human rights and especially labor rights continue to feature in international trade agreements; especially those that are intended to promote or secure preferential trade status for poor or underdeveloped nations. National and State legislators in the developed world are also introducing measures to safeguard against the importation of goods from any country where there is evidence of child labor, or other forms of modern slavery and human trafficking.

At the governmental level, many states have developed National Action Plans (NAPs) to promote the implementation of the UNGPs at their respective national levels. There are a growing number of international legislations such as the California Transparency in Supply Chains Act of 2010, UK's Modern Slavery Act 2015

¹ The *OECD Guidelines for Multinational Enterprises* (hereafter *OECD Guidelines*) form part of the *OECD Declaration on International Investment and Multinational Enterprises*. The amended *Guidelines* were adopted by the forty-two governments adhering to the *Declaration on International Investment and Multinational Enterprises* on 25 May 2011.

² Mr. John Ruggie is a Professor on Human Rights and International Affairs at Harvard University in the United States. His full designation is 'Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises'.

³ adidas engaged closely with Professor Ruggie and his advisors, including presenting at regional stakeholder consultations hosted by the UN Special Representative in Bangkok in June 2006 and New Delhi in February 2009.

⁴ The UN Framework is comprised of three parts: Protect, Respect and Remedy. Under the 'State Duty to Protect', governments get guidance on how to take more proactive ownership of their human rights responsibilities and provide stability, clarity, and consistency to citizens and businesses. The 'Corporate Responsibility to Respect' principles provide a blueprint for companies on how to know and show that they are respecting human rights. And the 'Access to Remedy' principles are about assurance, making sure that States and companies are held accountable.



and the Australian Modern Slavery Act requiring large companies to disclose information on how they identify and address potential human rights impacts arising from their business operations and in relationships with suppliers and other business partners. There are similar initiatives on mandatory human rights due diligence underway in Canada, Germany, Finland, Norway and Switzerland.⁵

As a responsible business it is important that our stakeholders – governments, investors, consumers and civil society – are confident that we are effectively managing human rights issues in our global supply chain.

Answers to the following **Frequently Asked Questions** explain the adidas' approach to integrating human rights into its business practices.

1. WHAT EXACTLY ARE HUMAN RIGHTS?

The term “human rights” means different things to different people. It covers a broad spectrum of topics: from civil and political freedoms, to economic, social and cultural rights. At its very essence, it is about the rights and freedoms of individuals based on human dignity – a value which commands wide respect and acceptance internationally. For adidas the term refers to internationally-recognized human rights, as expressed in the United Nation's (UN's) *International Bill of Human Rights*⁶ and the International Labour Organization's (ILO's) *Declaration on Fundamental Principles and Rights at Work*⁷. In some circumstances, other internationally-recognized rights may also be relevant, such as the rights of vulnerable or marginalized groups, for example, indigenous peoples, women, ethnic and religious minorities, migrant workers, human rights defenders and children.

2. WHO SHOULD PROTECT HUMAN RIGHTS?

States have a duty to protect the human rights described in international treaties, covenants and conventions. This is a founding principle of the UN Framework for Business and Human Rights and reflects international law: “States must protect against human rights abuse within their territory and/or jurisdiction by third parties, including business enterprises. This requires taking appropriate steps to prevent, investigate, punish and redress such abuse through effective policies, legislation, regulations and adjudication.” There has been much debate about whether companies also have to protect and promote human rights. This has now been clarified through the UN's Guiding Principles on Business and Human Rights, which have also been incorporated into the recently updated *OECD Guidelines for Multinationals* and the *ISO26000:2010 Guidance for Social Responsibility*⁸.

3. HOW SHOULD BUSINESS ENTERPRISES RESPECT HUMAN RIGHTS?

As a general principle, the OECD Guidelines call on multinationals to “respect the internationally recognised human rights of those affected by their activities”.⁹ This principle of respect has been described more fully in the UN Framework on Business and Human Rights as “the Corporate Responsibility to Respect Human Rights”. At its core, respect requires businesses to:

- a) Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur;

⁵ Notable landmarks across the business and human rights landscape 2011-2018. See: https://humanrights.wbcsd.org/wp-content/uploads/2018/08/WBCSD-Business-Human-Rights-analysis_August-2018.pdf

⁶ The International Bill of Human Rights, consists of the Universal Declaration of Human Rights and the main instruments through which it has been codified: The International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights

⁷ The principles concerning fundamental rights are set out in the 1998 International Labour Organization Declaration on Fundamental Principles and Rights at Work.

⁸ ISO 26000 is intended to assist organizations in contributing to sustainable development. It is not a management system standard and does not contain requirements. It is not intended for certification purposes or regulatory or contractual use.

⁹ OECD Guidelines, 2011, Clause IIA (2), p. 17.



- b) Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.¹⁰

The responsibility to respect human rights is a **global standard of expected conduct** for all business enterprises, wherever they operate. Moreover, for business, the responsibility to respect human rights requires businesses to take adequate measures for their prevention, mitigation and, where appropriate, remediation. It is a standard that adidas accepts and holds itself accountable to.

4. WHAT IS ADIDAS' GENERAL APPROACH TO HUMAN RIGHTS?

adidas' highest level of policy commitments on human rights are contained in a document called the Labor Rights Charta. The Charta is owned and approved by the Chief Executive Officer of adidas. See adidas-group.com/s/policies. Our general approach to human rights is a due diligence one. We target those high-risk locations, processes or activities that require the closest attention and where we are able to apply influence to mitigate or remediate issues, where they occur. We also seek to extend our reach by cascading responsibilities to our partners, to capture and address potential and actual human rights issues upstream and downstream of our product creation. Our policies to safeguard the rights of our employees and those of the workers who make our products are described below.

5. ARE THERE EXAMPLES OF WHERE ADIDAS IS PROACTIVE IN PROTECTING HUMAN RIGHTS?

It is specifically within the area of workers' rights that we seek to hold direct dialog with governments and where we have offered our support to civil society and non-government organizations in their campaigns and human rights activities. We do so when the issue, or adverse impact, is in a country or a locality from which we source our products and where we see a fundamental breach of rights or the rule of law that may impact our supply chain or business operations. The range of rights where we have sought to engage with governments includes discrimination, freedom of association, unlawful detention, forced labor, child labor, indigenous people's rights, and issues over livelihoods and the payment of minimum wages.

6. ARE THERE EXAMPLES OF WHERE ADIDAS IS PROACTIVE IN PROMOTING HUMAN RIGHTS?

The UN has declared that "access to and participation to sports is a human right and is essential for individuals of all ages to lead a healthy and fulfilling life".¹¹ This is fully aligned with our core values as a sporting goods company. Through our philanthropic and volunteering initiatives, including engagement with local and international non-government organizations, we positively encourage and support everyone's right to participate in sports.

7. WHO IS RESPONSIBLE FOR IMPLEMENTING HUMAN RIGHTS WITHIN ADIDAS?

The short answer is everyone. Every employee has a responsibility to follow the company's corporate policies, as well as comply with the relevant national laws and regulations, including those that protect against the violations of human rights. On top, our Sourcing teams also have clear targets in the performance appraisal system linked to the performance and the execution of our human rights policy commitments, i.e. on the social compliance KPIs. Ultimate accountability for human rights for the company and its operations rests with the CEO (to whom the Chief Legal Counsel reports) and for employee matters with the Chief Human Resources Officer, who is also an Executive Board member. The CEO and Chief HR Officer are the policy holders and joint signatories to the Labor Rights Charta. Day to day operational accountability for human rights, ethics and corporate compliance rests with Chief Legal Counsel, who

¹⁰ Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework, UN Document A/HRC/17/31, 21 March 2011, Clause 13, p. 14.

¹¹ UN Inter-Agency Task Force on Sports for the Development of Peace, 2003. There are a large number of UN instruments which seek to protect or promote the right to access to sports, recreation and leisure including 1978 *UNESCO Charter on Physical Education and Sports*, 1979 *Convention on the Elimination of Discrimination Against Women*, 1985 *Convention Against Apartheid in Sports*, the 1989 *Convention on Rights of the Child*, and the 2006 *Convention of the Rights of Persons with Disabilities*.



reports directly to the CEO. Our commitment to upholding human rights and core labor standards is in effect in all adidas locations and it applies to the company's business operations worldwide.

8. WHAT ABOUT SPECIFIC POLICIES FOR ADIDAS EMPLOYEES?

Human rights are specifically referenced in the **adidas Labor Rights Charta**, which is included in our Global Policy Manual (GPM). The Charta acknowledges that: "Our company policies and procedures adhere to all applicable domestic laws and are consistent with core labor principles of the International Labour Organization (ILO) concerning freedom of association and collective bargaining, non-discrimination, forced labor, and underage workers in the workplace. Promoting human rights and adhering to ILO core labor standards internally and throughout all our business operations is in line with the company's values and principles." The Charta goes on to detail our policies in relation to rewards, harassment and discrimination, freedom of association and collective bargaining, child labor, health, safety and the environment and data protection and security. A copy of the Charta can be viewed at adidas-group.com/s/policies.

9. WHAT ABOUT SPECIFIC POLICIES FOR ADIDAS MANUFACTURING PARTNERS?

Our manufacturing partners are bound, contractually, by the **adidas Workplace Standards** which were developed around the UN covenants and conventions on human rights and labor rights. Our *Workplace Standards* are part of our GPM and are managed by Social & Environmental Affairs.

The general principles in our *Workplace Standards* are explained through our supporting **Employment, Health & Safety and Environmental Guidelines**, which also reference international law and industry best practice. These guidelines offer advice to business partners on ways to prevent and mitigate adverse impacts, including impacts on what may be considered breaches of human rights.

We have developed a **Policy on Modern Slavery** to address forced labor and concerns over human trafficking. adidas strictly prohibits the use of any form of forced labor or the trafficking in persons across all of our company operations and in our global supply chain. In accordance with our *Workplace Standards*, manufacturing partners must not use forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise. No employee may be compelled to work through force or intimidation of any form, or as a means of political coercion or as punishment for holding or expressing political views.

The **Responsible Sourcing and Purchasing Policy** defines adidas' approach to responsible sourcing and purchasing practices. We are committed to working with our manufacturing partners, across our global and multi-layered supply chain, to ensure that sourcing and purchasing decisions, and other supporting processes, do not impede or conflict with the fulfillment of the adidas Workplace Standards.

The **Policy on Responsible Recruitment** outlines the requirements from our manufacturing partners for the responsible recruitment and fair treatment of migrant workers in the supply chain. It draws on the guidance previously published in our Guidelines on Employment Standards in 2010.

All policies mentioned can be found at adidas-group.com/s/policies.

10. HOW DOES ADIDAS SAFEGUARD AGAINST ADVERSE HUMAN RIGHTS IMPACTS?

Due diligence is an integral part of our business decision-making and risk management systems. The *Guiding Principles on Business and Human Rights* recommend that enterprises undertake due diligence in order to identify, prevent, mitigate and account for adverse human rights impacts. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed. Such a due diligence process is already in place within adidas with respect to the way we manage labor rights, health and safety and environmental risks associated with our supply chain. This extends to and includes aspects of human rights. Such due diligence includes risk mapping, compliance monitoring, remediation and internal as well as external (i.e. public) reporting. We also have internal processes in place to protect employee rights and entitlements, through the policies and procedures of our Human Resources department, with regular reports and updates to the Executive Management team and the Supervisory Board. Compliance of adidas entities with the core policies as listed in the Global Policy Manual are regularly monitored by the Group Internal Audit function.



11. HOW DOES ADIDAS INTEGRATE HUMAN RIGHTS RISKS INTO ITS DECISION-MAKING?

All new employees are given induction training to familiarize them with adidas policies and procedures, including our ethical conduct of conduct and adherence to our Labor Rights Charta which references the core labor standards. Within adidas, familiarity with the requirements of the company's Fair Play (ethical business) code of conduct is mandatory. All employees must participate in and pass online training on the code. Procurement and sourcing employees for example have received targeted training on modern slavery and human rights. Internal grievance systems and hotlines are in place globally and are accessible to all, as is access in company headquarters to the Works Council. We also have a well-developed code of conduct and supporting policies and procedures for our main supplier relationships, through our *Workplace Standards*, which have been endorsed by the Executive Management. These Standards include aspects of human rights, which are managed through our Social & Environmental Affairs department.

Whenever we can, we reduce our exposure to human rights concerns by identifying and weighing up the risks and, where necessary, taking steps to mitigate or eliminate any potential adverse impacts.

12. WHAT IF ADIDAS IS DOING BUSINESS IN A COUNTRY THAT HAS GROSS HUMAN RIGHTS VIOLATIONS?

Doing business in a country which has a poor track record in managing human rights does not mean that business should not take place. Many of our activities as a company relate to the marketing or sale of consumer goods, with minimal potential impact on human rights concerns. Our presence may in fact be viewed as a social good. However, when entering into a business relationship or embarking on a new business venture in a foreign country, we are cognizant of a range of legal, political and human rights risks. For example, whenever a new manufacturing relationship takes place in a country not previously producing for the adidas our Social & Environmental Affairs department will conduct a review and engage with embassies, government agencies and local non-government organizations, to consider the risks associated with such a sourcing relationship and locality. For example, prior to production commencing in Myanmar, a focused review was conducted to evaluate human rights and socio-political issues and risks. The process ran for two years and involved extensive engagement with key stakeholders and resulted in the adoption of new tools and approaches to prevent harm to rights-holders, particularly over land rights. The Social & Environmental Affairs department also conducts a periodic review of country risk for each country where we source our products. The review draws on local knowledge and engagement with stakeholders, as well as information available in the US State Department's annual *Country Report on Human Rights Practices*. The US State Department reports are produced for every country in the world, with the exception of the USA; see www.state.gov/g/drl/rls/hrrpt/.

13. ARE THERE SOME COUNTRIES WHERE ADIDAS DOES NOT DO BUSINESS, BECAUSE OF HUMAN RIGHTS CONCERNS?

The company complies with international trade restrictions, sanctions and embargoes. This includes sanctions which prohibit the production and export of goods, for example, from countries such as North Korea. adidas is also cognizant of embargoes that are imposed unilaterally, i.e. by a single country, rather than collectively through the UN. For example, the US government's trade sanctions against Cuba, which all businesses domicile in the United States must comply with.

14. WHAT IF ADIDAS, OR ONE OF ITS BUSINESS PARTNERS, IS IMPLICATED IN A HUMAN RIGHTS ISSUE?

The human rights landscape is constantly changing, and multinational companies are often targeted by interest groups and human rights campaigners even where the links to an issue may at first seem tenuous. It is understood that high profile and popular brands, such as ours, may act as both a source of leverage, to drive change, but also provide the needed public visibility to a cause or campaign. If an area of business becomes a target of concern for an interest group, a labor rights group, or a trade union, and there are claims that adidas or one of its business partners are breaching "human rights", then this information is



brought to the attention of Social & Environmental Affairs, whose staff have experience in handling stakeholder concerns and labor and human rights issues.

Most issues can be resolved through engagement with the affected parties, by discussing ways to cooperate and address the stated concerns and issues. Therefore, establishing and maintaining an open and honest dialog with stakeholders is an important first step in any remedial process.

Stakeholder engagement is conducted at many levels, including directly with vulnerable groups and with workers in the global supply chain. In order to systematically identify these stakeholders, we use an extensive network of contacts - spanning across more than 60 countries - to pinpoint areas for dialogue and applicable parties to engage with. See our Stakeholder Engagement Guidelines at adidas-group.com/s/partnerships

15. HOW DOES ADIDAS ADDRESS HUMAN RIGHTS COMPLAINTS?

adidas has a well-developed Complaints Process for Breaches to adidas Workplace Standards or Violations of International Human Rights Norms. See adidas-group.com/s/human-rights. Affected individuals, or communities, can bring issues directly to the attention of adidas or avail themselves of alternative channels for their complaints, including the FLA-managed Third-Party Complaint system, or the OECD's Contact Point, details of which are also given in the above Complaint Process. The Complaint Process is accessible to all external stakeholders who have a grievance to share. Typically, where complaints arise at a community level, these are normally directed through local Social & Environmental Affairs staff, who are conversant in the local language and active at a community level, through their visits and meetings with local factory employees.

The choice of the remedial action will vary, depending on the nature and severity of the impact which has been identified either through our own due diligence, or due to a complaint, campaign or protest action. Verification of the allegations or human rights issue and the given facts in the case are a critical starting point and may require independent investigation and, where the issues and claims are complex, access to expert advice. If a direct cause or connection can be shown, then any follow-up remedial action will depend on the degree of influence that adidas has over the situation and its relationship to the affected party(s). Some situations may require co-operation or engagement with government agencies, judicial authorities or non-government bodies. Whatever mechanism is adopted to address a human rights impact or violation, adidas acknowledges and upholds the rights of the affected parties to pursue matters through a judicial or non-judicial process of their choosing.

16. HOW ARE THE OUTCOMES OF ADIDAS' HUMAN RIGHTS INTERVENTIONS MEASURED AND REPORTED?

The UN Framework on Business and Human Rights anticipates that every business **knows and shows** that they respect human rights. To do so, it is important to track the effectiveness of internal policies and procedures and to provide the necessary feedback to the Executive Management on the way in which human rights risks are being properly managed and adverse impacts successfully resolved. At the end of each month, the Social and Environmental Affairs department reports to the Executive Management, highlighting critical issues, investigations and remedial efforts in relation to the supply chain. This is the primary vehicle through which human rights concerns are shared with senior management and reported progress is tracked.

We have a well-developed stakeholder engagement mechanism. And multiple channels for communicating our human rights impacts, policies and approaches, including our annual Annual Report, individual stakeholder meetings and correspondence, structured stakeholder dialogs, collaborative engagements with NGO, multi-stakeholder and partner organizations, one-on-one worker interviews and meetings, etc. We also make use of FAQs and blogs, as an accessible way for the public and our internal staff, to understand our human rights work and specific program initiatives related to worker rights, safety and the environment.

17. DO THESE PROCESSES CAPTURE ALL POTENTIAL HUMAN RIGHTS IMPACTS FOR ADIDAS?



adidas has sound policies and effective procedures in place to monitor and manage human rights concerns where these are business-critical. These processes are executed using in-house expertise in human rights and labor rights and are supported by mature systems including country risk assessments, stakeholder outreach and engagement, and public disclosure and reporting. The focus of our efforts is on those areas where we have the most direct influence: our manufacturing supply chain and our internal employee relations. The seriousness with which we apply ourselves to these goals is reflected in our top performance ranking in the 2018 Corporate Human Rights Benchmark and the 2018 KnowTheChain forced labor benchmark.

We recognize however that the potential for adverse human rights impact is wider than this and we are constantly reviewing our internal practices to strengthen and improve them. Where we find potential or actual adverse impacts, we are committed to mitigate or eliminate those impacts, either alone or in co-operations with others. We do so to fulfil a basic obligation as a responsible business, that is, **to do no harm** when it comes to the exercise and fulfilment of human rights.

18. DOES ADIDAS HAVE A POSITION ON HUMAN RIGHTS DEFENDERS?

We have a longstanding policy of non-interference with the activities of human rights defenders, including those who actively campaign on issues that may be linked to our business operations. We expect our business partners to follow the same policy; they should not inhibit the lawful actions of a human rights defender or restrict their freedom of expression, freedom of association, or right to peaceful assembly. Our general approach and policy to safeguarding the rights and activities of Human Rights Defenders can be found on our corporate website. See adidas-group.com/s/human-rights

19. FROM A HUMAN RIGHTS PERSPECTIVE WHAT IS ADIDAS' ROLE AS A SPONSOR ON MEGA SPORTING EVENTS?

In 2013 we conducted an operational review to identify potential adverse human rights impacts arising out of our general business operations. The operational review highlighted our role as a sponsor on mega sporting events for further investigation and engagement. With respect to this, we ran a stakeholder dialogue to canvas views on the responsibilities of sponsors with respect to the adverse human rights impacts of mega sporting events. [See the report here](#). In parallel with this we also began a deep engagement with FIFA and with concerned NGOs (such as Transparency International, Amnesty International and the International Trade Union Confederation) over the handling of human rights impacts associated with upcoming football World Cup events, including those planned for Russia in 2018 and Qatar in 2022. At the executive Board level, we supported and promoted an independent review of FIFA activities by John Ruggie, former UN Secretary-General's Special Representative for Business and Human Rights, and supported FIFA with advice on corporate practices related to human rights due diligence. This in turn led to the appointment of our in-house human rights counsel to an independent human rights advisory board established by FIFA in March 2017, [see here](#), as well as periodic (quarterly) review meetings between FIFA and its corporate sponsors, including adidas. Complementing these activities, we have also been active on-the-ground in countries such as Qatar, to evaluate the situation and engage with local stakeholders, including the government.

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